



U.S. FISH AND WILDLIFE SERVICE TRANSMITTAL SHEET

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| PART 417 FW 1-6 | SUBJECT Audits: Policies and Responsibilities; Planning; Conducting and Reporting on Audits; Audit Resolution; Appeals; Single Audit Act Report Resolution | RELEASE NUMBER 454 |
| ORIGINATING OFFICE Division of Federal Assistance | | DATE 08/23/2004 |

EXPLANATION OF MATERIAL TRANSMITTED:

This release establishes Part 417 (Federal Assistance Audits) of the Fish and Wildlife Service Manual. It establishes policy and responsibilities for grantee audits, defines terms associated with audits, and provides an overview of the audit process. The policy describes audit planning and provides procedures for conducting audits and reporting on them. It establishes policy and procedures for tracking audits, resolving findings, implementing recommendations, and making appeals about findings or corrective actions. The policy also describes how to resolve findings and implement recommendations from audits under the Single Audit Act.


DIRECTOR

FILING INSTRUCTIONS:

Remove:

None

Insert:

417 FW 1, 08/23/04, FWM 454
417 FW 2, 08/23/04, FWM 454
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**FISH AND WILDLIFE SERVICE
AUDITS**

Audits

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Chapter 1 Policies and Responsibilities for Grantee Audits

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1.1 What is the purpose of this chapter? This chapter establishes policy and responsibilities for grantee audits, defines terms associated with audits, and provides an overview of the audit process. Other chapters in Part 417 establish policy and procedures for audit planning, conducting audits, audit reporting, resolution, and appeals.

1.2 To what program does this Part apply? This Part applies to audits of grantees who receive grants through the Federal Assistance Program.

1.3 What authorities govern the conduct of grantee audits?

A. Wildlife and Sport Fish Restoration Programs Improvement Act of 2000, Pub. L. 106–408, 16 U.S.C. 669 et seq., 16 U.S.C. 777 et seq.

B. 43 CFR 12, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

C. 50 CFR 80, Administrative Requirements, Federal Aid in Fish and Federal Aid in Wildlife Restoration Acts.

D. 360 DM 1–6 (Departmental Audits).

E. 361 DM 1–3 (Audit Follow-up).

F. 415 FW 1–4 (Departmental Audits).

G. Government Auditing Standards (Yellow Book).

H. Office of Management and Budget (OMB) Circular A-50, Audit Followup.

I. OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.

J. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

K. OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments.

1.4 What is the Service's policy for grantee audits?

A. We will audit each grantee once for each 5-year period as specified in the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000 (Improvement Act). The audit period will cover revenues and expenditures associated with protected license fees and grant funds during the two most recently completed State Fiscal Years (SFYs). These two years serve as a sample of the 5-year period specified in the Improvement Act to achieve audits that are efficient and cost effective.

Factors affecting the selection of the two most recently completed SFYs may be, but are not limited to, completion of the Single Audit, completion and submission of final Financial Status Reports (SF-269), changes to the accounting system, or the introduction and use of new accounting software. The auditor will confer with the Regional Director/Manager, California/Nevada Operations Office (CNO) and the grantee to determine the feasibility of auditing the two most recent SFYs. The Regional Director/CNO Manager will approve the two SFYs to be audited.

B. The 2-year period applies to the audit period itself and does not eliminate our responsibilities for general oversight of the Federal Assistance Program outside of that timeframe. The auditor may use previous audits or other information from outside the audit period as a reference to improve the effectiveness and efficiency of the audit.

C. All audit reports will only address the 2-year audit period unless there is some extraordinary finding. To be considered extraordinary, a finding must involve: (1) fraud, (2) direct and material illegal acts, or (3) noncompliance that could result in exclusion from further participation. With the exception of a fraud investigation, expanding the audit period to investigate extraordinary findings requires the express written approval of the Director. Justification for requesting an expanded audit period must address the following elements: criteria, condition, and effect (measure of consequences) of the finding. The audit period may be expanded to include all unaudited Federal funds and license fee revenues.

D. We will provide adequate oversight and financial resources to ensure timely completion of audits.

E. We will cooperate and coordinate fully with grantees, auditors, the Office of Inspector General (OIG), and Office of Financial Management (PFM).

1.5 What are the objectives of the Federal Assistance Program grantee audit? The Federal Assistance Audit Program supplements Single Audit Act audits performed according to the requirements of OMB Circular A-133 (see 417 FW 6). The objectives of Federal Assistance Program grantee audits are to:

A. Promote economy, efficiency, and effectiveness in administration of programs and operations.

B. Aid in deterring and detecting fraud and abuse in programs and operations.

C. Assess financial integrity, accountability, and controls of the Federal Assistance Program in accordance with generally accepted accounting principles.

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D. Monitor compliance with applicable Federal laws, rules, and regulations.

1.6 Who is responsible for administering the Federal Assistance Audit Program?

A. The Director will:

- (1) Oversee the Federal Assistance Audit Program.
- (2) Make the final decision on internal Service disagreements associated with resolving audit findings and preparing Corrective Action Plans (CAPs).
- (3) Make the final decision on all grantee appeals to the Service.
- (4) Respond to the Department of the Interior, Office of Hearings and Appeals.

B. Regional Directors/CNO Manager will:

- (1) Ensure that Regional/CNO Federal Assistance Program staff members receive the training necessary to oversee audits.
- (2) Provide information to the auditor on Region/CNO-specific issues proposed for audit.
- (3) Provide guidance and interpret laws, rules, regulations, and policies for the auditor during an audit.
- (4) Promptly notify the grantee in writing of significant changes in audit scope, such as a change in the period being audited. The notification will include the reason for the change.
- (5) Work with the grantee and auditor throughout the audit to resolve issues as they arise and to identify those issues with potential national implications.
- (6) Determine whether to sustain or reject the auditor's findings and recommendations in accordance with applicable laws, regulations, and policies.
- (7) Negotiate with grantees to develop corrective actions to resolve audit findings. Approve, distribute, and monitor implementation of the CAP.
- (8) Brief the Director when there is a disagreement between the Regional Director/CNO Manager and the Assistant Director, Wildlife and Sport Fish Restoration Programs (AD-WSFR) on the CAP.
- (9) Request closeout of the audit when the grantee has resolved all findings.

(10) Retain the final audit report, CAP, resolutions, and appeals through the completion of the succeeding audit of the grantee.

(11) Notify the grantees of the 5-year schedule of audits.

(12) Address written complaints from grantees about the conduct or scope of an audit.

C. The Assistant Director, Wildlife and Sport Fish Restoration Programs will:

- (1) Ensure consistent interpretation and application of rules, regulations, and laws concerning the Federal Assistance Audit Program.
- (2) Establish the national audit schedule as required by the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000.
- (3) Coordinate Washington Office (WO) review of the CAP prior to approval by the Regional Director/CNO Manager.
- (4) Brief the Director when there is a disagreement with the Regional Director/CNO Manager on the CAP.
- (5) Evaluate the Federal Assistance Audit Program for efficiency, timeliness, and effectiveness before initiating each national audit cycle. The AD-WSFR consults with States and Regional Directors/CNO Manager to produce a written report for the Director at least once every 5 years. The report identifies issues and makes recommendations for improving the audit program.

D. The Chief, Division of Federal Assistance, Washington Office (Chief-FA/WO), will:

- (1) Advise the AD-WSFR on scheduling of grantee audits.
- (2) Coordinate audits and provide for an independent audit of grantees. Serve as a point of contact for Service staff and the auditor.
- (3) Require that audits are conducted in accordance with Government Auditing Standards and Federal policies, regulations, and laws.
- (4) Identify national audit training needs and make training available. Ensure that appropriate Federal Assistance Program staff members in the Washington Office receive the training necessary to oversee audits. Provide the auditor with orientation in Sport Fish and Wildlife Restoration Programs administrative processes, policies, and procedures.

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(5) Establish the objectives of the audit of the Federal Assistance Program grantees.

(6) Develop and maintain the Audit Guide.

(7) Ensure the auditor adheres to the Audit Guide.

(8) Summarize and disseminate common findings from ongoing audits and their resolutions without breaching the confidentiality of the audit process. The Chief-FA/WO will provide this information on a regularly scheduled basis.

(9) Provide technical assistance on audit issues to the Regional/CNO office staff and the AD-WSFR prior to and during the development of the CAP.

(10) Refer Freedom of Information Act (FOIA) and other public requests for OIG reports and OIG working papers to the OIG as the "office of record."

E. The Chief, Division of Policy and Directives Management (Chief-PDM) will:

(1) Oversee activities of the Service Audit Liaison Officer, who, in turn, serves as liaison to PFM and OIG for Federal Assistance Program grantee audit followup as described in 417 FW 4.

(2) Advise Service officials on audit liaison matters.

(3) Track the implementation of audit recommendations and report to the Directorate and PFM on grantee audit followup.

1.7 Who maintains audit resolution files? The Regional Director/CNO Manager is responsible for maintaining audit resolution files until the succeeding audit of the grantee is complete. The office or Region that administers the grants being audited will maintain the following documents in the audit resolution file:

A. Audit resolution correspondence, incoming and outgoing.

B. OIG final audit report.

C. Approved CAP for audit findings.

D. Documentation provided by the grantee and used by the Regional Director/CNO Manager to verify that the grantee resolved each finding or implemented the auditor's recommendation.

E. Documentation that the audit has been officially closed out.

1.8 What are the definitions for terms used in this Part?

A. Appeal. A deliberative process that the grantee initiates when he/she does not agree with the Service's determinations, corrective actions, or the resolutions contained in the CAP.

B. Audit. Examination of Federal Assistance Program grantees conducted by the Department of the Interior, OIG, other Federal agencies, or independent public accountants for compliance with applicable Acts, regulations, accounting principles, the provisions and conditions of the Federal Assistance Program grants, and Service policy.

(1) **Audit Finding.** Questioned costs, compliance issues, and other matters identified in the audit report.

(2) **Audit Recommendation.** Actions proposed by the auditor to address audit findings.

C. Audit Guide. A document prepared by the auditor in consultation with the Chief-FA/WO. The Chief-FA/WO will consult with the Regional Director(s)/CNO Manager and grantee(s) as necessary. This guide provides the information, background, and general guidelines necessary to conduct audits. It will be available to all parties.

D. Audit Reports. Following are the two types of audit reports:

(1) **Draft Audit Report.** The report the auditor prepares after the audit exit conference and provides to the Service and the grantee for official comments.

(2) **Final Audit Report.** The auditor's report issued after the official comment period has expired. It includes the auditor's findings and recommendations, comments received on the draft audit report, and the auditor's response.

E. Auditor. A public accountant or a Federal, State, or local government audit organization that meets the general standards specified in Generally Accepted Government Auditing Standards.

F. Corrective Action. Specific action(s) to resolve an audit finding in a manner consistent with the Service determination.

G. Corrective Action Plan. A plan prepared by the Service in consultation with the grantee for addressing all audit findings and implementing sustained recommendations contained in audit reports. At a minimum, it contains four components: auditor's findings

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and recommendations, Service determinations, corrective actions, and resolutions.

H. Engagement Letter. The official notification of a pending audit from the auditor to the grantee, including a request for information.

I. Entrance Conference. The meeting involving the auditor, the Service, the grantee, and others, if needed, that officially begins the audit fieldwork.

J. Exit Conference. The optional meeting at the conclusion of the fieldwork, involving the auditor, the Service, the grantee, and others, to review the preliminary results of the audit.

K. Federal Assistance Program. A program that administers the responsibilities of the Secretary of the Interior under the Federal Aid in Sport Fish Restoration Act; Federal Aid in Wildlife Restoration Act; Clean Vessel Act; Coastal Wetlands Planning, Protection, and Restoration Act; and other Acts that establish grant programs. Our Division of Federal Assistance fulfills these responsibilities.

L. Fieldwork. Work that the auditor performs between the entrance and exit conference.

M. Final Action. The completion of all actions, including documentation, necessary to implement a specific audit recommendation and resolve an audit finding.

N. Grantee. The entity to which we award a grant and who is accountable for use of the Federal funds provided.

O. Office of Financial Management (PFM). The Department of the Interior organization under the Assistant Secretary of Policy, Management, and Budget, that tracks audit recommendations to final action.

P. Office of Hearings and Appeals. The Department of the Interior organization responsible for disposition of grantee appeals to the Secretary of the Interior.

Q. Office of Inspector General (OIG). The Department of the Interior organization responsible for conducting, supervising, and coordinating audits, evaluations, investigations, and other activities relating to programs and operations of the Department.

R. Planning. A dynamic process involving the auditor, the Service, and grantees, that continues throughout the audit and includes identifying the scope of the audit, the audit schedule and milestones, who will conduct the audit, points of contact, logistical requirements, issues of potential concern, and the detailed steps for conducting the audit.

S. Resolution. A process to address and resolve each finding and recommendation in the audit report.

T. Scope. The depth and coverage of work conducted to accomplish the audit objectives. The scope of the audit includes the financial and program elements, time period, and locations to be covered by the audit. The auditor, who should exercise due professional care, sound judgment, and consideration of the nature and character of the engagement, sets scope.

U. Service Audit Liaison Officer. The Washington Office representative who serves as the point of contact for follow-up activities pertaining to grantee audits.

V. Service Determination. The Service decision to accept or reject the auditor's finding(s) and recommendation(s).

W. Single Audit Report. An audit of a grantee completed in accordance with the requirements of the Single Audit Act of 1984, as amended, and OMB Circular A-133. These audits are separate from Federal Assistance Program- specific audits (grantee audits).

X. We/Us. As used throughout this Part, the terms "we" and "us" refer to the Fish and Wildlife Service.

1.9 What phases are included in a Federal Assistance Program grantee audit? The phases of the audit are described briefly below; however, more in-depth descriptions are found under each referenced chapter.

A. Planning (417 FW 2). The auditor, in consultation with the Service and the grantee, identifies programmatic and financial elements to be audited, establishes the period to be audited, identifies issues of potential concern, and ensures that the audit meets Government Auditing Standards. The planning phase helps to ensure a nationally consistent, effective, and timely audit process. Audit planning establishes the audit schedule, identifies who will conduct the audit, identifies point(s) of contact, sets milestones, and describes logistical requirements.

B. Conducting and Reporting (417 FW 3). Conducting audits and audit reporting helps to ensure independent examination of grantees consistent with Government Auditing Standards.

C. Audit Resolution (417 FW 4). The audit resolution phase ensures that we track and resolve all findings and recommendations in a timely and efficient manner.

D. Appeals (417 FW 5). The appeals process allows a grantee to appeal Service determinations, corrective actions, or resolutions.

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E. Single Audit Act Audits (417 FW 6). This chapter describes the policy for resolving findings from audits conducted under the Single Audit Act.